



May 27, 2015

VIA OVERNIGHT DELIVERY

Jean D. Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702

RECEIVED

2015 MAY 27 AM 10:26

IDAHO PUBLIC
UTILITIES COMMISSION

201 South Main, Suite 2300
Salt Lake City, Utah 84111

**Re: Case No. PAC-E-15-09
IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN
POWER TO MODIFY THE ENERGY COST ADJUSTMENT MECHANISM
AND INCREASE RATES BY \$10.2 MILLION, OR APPROXIMATELY 3.9
PERCENT**

Dear Ms. Jewell:

Please find enclosed for filing an original and nine copies of Rocky Mountain Power's Application in the above-referenced matter, along with nine copies of PacifiCorp's direct testimony and exhibits. Also enclosed is a CD containing the application, workpapers, testimony and exhibits, customer notice and press release, and a confidential CD containing a confidential exhibit and workpapers.

Informal inquiries may be directed to Ted Weston, Idaho Regulatory Manager at (801) 220-2963.

Very truly yours,

Jeffrey K. Larsen
Vice President, Regulation

cc: Service List

Enclosures

CERTIFICATE OF SERVICE

I hereby certify that on this 27th of May, 2015, I caused to be served, via e-mail, a true and correct copy of the foregoing document in PAC-E-15-09 to the following:

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Yvonne Hogle
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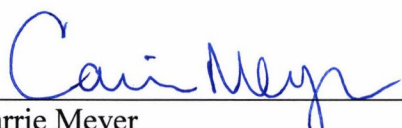
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Data Request Response Center
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Portland, Oregon 97232
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Carrie Meyer
Supervisor, Regulatory Operations

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Attorneys for Rocky Mountain Power

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE
APPLICATION OF ROCKY MOUNTAIN
POWER TO MODIFY THE ENERGY
COST ADJUSTMENT MECHANISM AND
INCREASE RATES BY \$10.2 MILLION,
OR APPROXIMATELY 3.9 PERCENT**

Case No. PAC-E-15-09

**APPLICATION OF ROCKY
MOUNTAIN POWER**

PacifiCorp, d.b.a. Rocky Mountain Power ("Rocky Mountain Power" or "Company") hereby respectfully applies to the Idaho Public Utilities Commission ("Commission") for an order authorizing the Company to: 1) increase rates by \$10.2 million, or 3.9 percent on average, effective January 1, 2016, as summarized in the Electric Service Schedules submitted herewith; and 2) modify the Energy Cost Adjustment Mechanism ("ECAM"). In support of its Application, Rocky Mountain Power represents as follows:

INTRODUCTION

1. Rocky Mountain Power does business in the state of Idaho providing retail electric service to approximately 75,435 customers and is subject to the jurisdiction of the Commission.

Communications regarding this Application should be addressed to:

Ted Weston
201 South Main Street, Suite 2300
Salt Lake City, Utah 84111
Telephone: (801) 220-2963

Fax: (801) 220-2798
Email: ted.weston@pacificorp.com

Yvonne R. Hogle
201 South Main Street, Suite 2400
Salt Lake City, Utah 84111
Telephone: (801) 220-4050
Fax: (801) 220-3299

In addition, the Company respectfully requests that all data requests regarding this matter be addressed to one or more of the following:

By email (**preferred**):

datarequest@pacificorp.com

By regular mail:

Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

BACKGROUND

2. In October 2008, the Company made application to the Commission for approval of an ECAM. The Company's ECAM was designed to recover the incremental difference between base and actual for all components of Net Power Costs ("NPC") as traditionally defined in the Company's general rate cases and modeled in the Company's power supply model GRID. The Commission approved the ECAM in June 2009, pursuant to settlement. The ECAM allows the Company to collect or credit the difference between the actual NPC, incurred to serve customers and the NPC collected from customers through rates set in general rate cases. In addition, the ECAM includes a symmetrical sharing band of 90 percent (customers)/10 percent (Company) that shares the NPC differential between Actual NPC and Base NPC.

3. The ECAM has evolved through the years and now, in addition to costs and revenues in Accounts 447, 501, 503, 555 and 565, the ECAM includes additional items including, without limitation, the Load Change Adjustment Rate ("LCAR"), sulfur dioxide

emission allowance sales (“SO₂ sales”), irrigation load control, demand side management (“DSM”) costs and Renewable Energy Credit (“REC”) revenues.

INCREASE IN BASE RATES

4. Rocky Mountain Power is requesting to update base NPC to \$1,514 million and increase rates by \$10.2 million, or 3.9 percent on average, with a proposed effective date of January 1, 2016. This request is based on the NPC and other related costs from its December 2014 Results of Operation report filed with the Commission April 30, 2015 (“Annual Results”)¹.

5. The \$10.2 million base rate increase is comprised of: (a) \$2.8 million associated with updating base NPC from \$1,385 million to \$1,514 million, total Company or \$93.8 million on an Idaho-allocated basis; (b) \$6.5 million for renewable energy credits (“RECs”); (c) \$0.2 million for renewable energy production tax credits (“PTCs”); and (d) \$0.7 million for the incremental amortization of the Deer Creek Mine unrecovered investment (depreciation and depletion expense), as requested in the Company’s application in Case No. PAC-E-14-10 (“Deer Creek Mine Case”).

6. The Company set base NPC in a general rate case in 2011, based on 2010 loads. Since then, all of the NPC components have changed increasing NPC by \$129 million. Because these increased NPC are not reflected in base rates a significant portion of Idaho’s allocation of NPC are being recovered through the ECAM. As recently ordered by the Commission in an Idaho Power case:

“[W]hile the Company currently recovers these ongoing permanent costs through the PCA, we never intended the PCA to allow for the long-term recovery of costs that continue year-to-year. Rather, the PCA was implemented to enable the

¹ A copy of the Annual Results are provided on the CD as work papers.

Company to recover or return the annual fluctuation in power supply costs and thus keep its customers from paying too little or too much of those costs.”²

The Company believes that it is more appropriate for these ongoing and permanent power costs to be recovered through base rates rather than through the ECAM. Therefore, the Company proposes to update the level of base NPC consistent with the level reported in the Annual Results. The Annual Results demonstrate that base NPC are \$1,514 million, or \$93.8 million on an Idaho-allocated basis. This compares to \$1,385 million total Company NPC, or \$87.6 million on an Idaho-allocated basis in the 2011 general rate case. By updating base NPC and allowing that level of expense to be included in base rates beginning January 1, 2016, the ECAM will be better aligned to track annual fluctuations in NPC rather than long-term recovery of NPC currently being collected through the annual ECAM surcharges. This update will also avoid the potential for a larger increase through a general rate case, followed by a decrease over a year later to reduce ECAM surcharge rates. Additionally, updating base NPC in this way will ensure customers are receiving correct price signals.

PROPOSED MODIFICATIONS TO CURRENT ECAM

7. The Company proposes to make the following modifications to the current ECAM.

- The 90/10 percent sharing band should be eliminated, allowing for 100 percent recovery of prudently incurred NPC;
- The calculation method should be based on retail sales at meter, eliminating the need for Staff’s base rate over-collection adjustment;
- The LCAR should be eliminated;

² *In the Matter of the Application of Idaho Power Company for Authority to Establish a New Base Level of Net Power Supply Expense*, Order No. 33000 (March 21, 2014), p. 8.

- DSM costs and SO₂ sales should no longer be tracked in the ECAM;
- Renewable energy production tax credits (“PTCs”) should be included in the ECAM and treated similar to NPC;
- If the amortization of the Deer Creek Mine unrecovered investment (depreciation and depletion expense) is not included in base rates a temporary adder should be included in the ECAM until it is included in base rates;
- The deferral period should be changed to correspond with the calendar year and the filing date should be changed to April 1 with rates effective June 1.

JUSTIFICATION FOR MODIFICATIONS

8. The Company proposes to eliminate the 90/10 sharing band in the ECAM because it already proactively manages NPC. The sharing band is not an appropriate incentive because the Company has little to no control over the volatility and unpredictable nature of these costs. The sharing band has historically penalized the Company despite prudent management. Sharing bands and dead bands have been eliminated in almost all³ other states in the country and the Company proposes that they be eliminated here as well.

9. The Company proposes to add the incremental Deer Creek Mine depreciation expense that was collected through the ECAM into base rates with no sharing. This proposal is consistent with the Company’s request in the Deer Creek Mine Case, currently before the Commission for consideration. It allows the Company to continue to collect depreciation expense related to the Deer Creek Mine through its remaining depreciable life. Given the significant benefits to customers resulting from the Mine closure, the Company should be allowed to continue to collect this depreciation expense.

³Only eight net power cost mechanisms still have sharing bands in the country, five of them are within the Company’s service territory.

10. The Company's resource mix has changed since the approval of the ECAM and warrants modification to the ECAM. The Company has become increasingly reliant on short term market purchases due to more intermittent energy from the addition of QFs on the Company's system and other owned and contracted generation that serve its load. Due to requirements under the Public Utility Regulatory Policies Act of 1978, the Company has added additional intermittent energy from the purchase of energy from Qualifying Facilities. These factors increasingly expose the Company to the market and increase NPC volatility. Intermittent energy is highly dependent on the weather, which is entirely out of the Company's control and causes several issues with respect to forecasting NPC in customers' rates, making NPC more unpredictable.

11. The Company's hedging policy also supports modifications to the ECAM. Through collaboration with stakeholders in Utah, Wyoming, Idaho and Oregon, the Company updated its hedging policy by incorporating guidelines that allow a reasonable percentage of natural gas and power requirements to remain open to short-term market price exposure and for operational flexibility.

12. The Company proposes to change the ECAM's differential calculation method so that it is based on retail sales at the meter, eliminating the need for the method developed by Staff of the Idaho Public Utilities Commission ("Staff"), known as the base rate over-collection adjustment.

13. The Company also proposes to eliminate tracking the LCAR, SO₂ sales, irrigation load control and DSM costs and from the ECAM. The LCAR should be eliminated because it is asymmetrical in that it only considers changes in loads (or sales going forward) but ignores changes in the actual underlying costs. Irrigation load control and DSM costs were included in

the ECAM as stipulated in the 2011 GRC due to the uncertainty of the jurisdictional treatment of the irrigation load control program by the Multi-State Protocol (“MSP”) committee. The uncertainty surrounding the MSP treatment of DSM costs has been resolved. MSP dictates that DSM costs are Situs assigned, thus eliminating the need to track these cost in the ECAM. In addition, the Company has modified the DSM program to make it more cost effective and aligned with the benefits received. The DSM program cost should not be part of the ECAM. Revenues from SO₂ sales have become immaterial and irrelevant – for example, in the 2015 ECAM Idaho SO₂ sales amounted to a \$71 credit to customers.

14. Finally, the Company proposes tracking renewable energy production tax credits in the ECAM. These credits are directly tied to the energy production of the qualifying renewable generation facilities, which can vary significantly from year to year.

MODIFICATIONS TO DEFERRAL PERIOD

15. The Company proposes to change the ECAM deferral period to coincide with the calendar year (January to December) opposed to the current December through November deferral period. The Company believes this change will make the ECAM easier to audit and align the deferral period with that used in all the other PacifiCorp jurisdictions. To accommodate this change, the Company proposes to move the filing date from February 1 to April 1, with rates effective June 1 rather than April 1.

NOTICE AND OTHER REQUIREMENTS

16. Rocky Mountain Power is notifying its customers of this Application by means of a press release sent to local media organizations and bill inserts included in customer bills beginning in June over the course of a billing cycle. Copies of the Application have also been provided to many of the Company’s major customer representatives. In addition, copies of this

Application will be made available for review at the Company's local offices in its Idaho service territory and at the Commission's office or on its homepage.

17. In accordance with Rule 121(e), (f), and (g) Rocky Mountain Power represents that the Application, testimony, exhibits and work papers support the costs the Company seeks to recover.⁴ Unless otherwise ordered by the Commission, in accordance with Commission Rule 63, the Company will serve discovery responses on any intervening parties only by electronic mail.

18. The Company respectfully submits that Commission approval of the Application is in the public interest.

MODIFIED PROCEDURE

19. Rocky Mountain Power believes that a hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed under Modified Procedure, i.e., by written submissions rather than by hearing. RP 201 *et. seq.* In accordance with RP 121(d), the Company stands ready to present the Application and direct testimonies and exhibits of Company witnesses Mr. Michael G. Wilding and Ms. Joelle R. Steward. Mr. Wilding's testimony describes the Company's proposal in more detail and provides a comprehensive explanation of the justifications supporting the Company's proposal. Ms. Steward's testimony presents the Company's proposed rate spread and rate changes for the affected rate schedules to recover the proposed increase in base NPC and related items to be recovered through the ECAM, including allocation information.

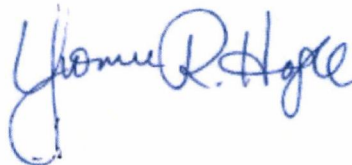
⁴ Because the Company is not seeking to change cost of capital or return on equity; and not using a test year but instead is relying on the Annual Results, the Company does not include any exhibits or work papers that include that information.

REQUEST FOR RELIEF

For the reasons set forth above and in the supporting testimony, Rocky Mountain Power respectfully requests that the Commission: (1) issue an order authorizing that this matter be processed by Modified Procedure; (2) approve a price increase of \$10.2 million, or 3.9 percent effective January 1, 2016, (3) approve updating base NPC to \$1,514 million effective January 1, 2016; (4) approve the proposed modifications to the ECAM; and (5) approve the Company's proposed electric service schedules effective January 1, 2016. Rocky Mountain Power respectfully requests that the Commission issue its order approving the Company's updated NPC no later than November 20, 2015, in order to utilize the new base level NPC as the basis for quantifying the 2016 deferral balance in the prospective ECAM filing.

DATED this May 27, 2015.

RESPECTFULLY SUBMITTED,
ROCKY MOUNTAIN POWER

A handwritten signature in blue ink, appearing to read "Yvonne R. Hogle". The signature is fluid and cursive, with the first name being the most prominent.

R. Jeff Richards
Yvonne R. Hogle

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION
OF ROCKY MOUNTAIN POWER TO
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Case No. PAC-E-15-09

**APPLICATION OF ROCKY
MOUNTAIN POWER**

AFFIDAVIT OF YVONNE R. HOGLE

I, Yvonne R. Hogle, being duly sworn on oath, depose and say:

1. I am an attorney representing Rocky Mountain Power in the above-captioned proceeding.
2. Exhibit 1 to the direct testimony of Michael G. Wilding filed with this Application contains confidential information and trade secrets as defined in Idaho Code § 9-340 *et seq.* and § 48-801 *et seq.* that may jeopardize the interests of Rocky Mountain Power and its customers and could cause economic harm if it were disclosed.
3. Rocky Mountain Power requests that the Idaho Public Utilities Commission consider these documents confidential and protect them from public disclosure.

Further affiant sayeth not.


Yvonne R. Hogle

State of Utah)
) ss
County of Salt Lake)

On the 26th day of May, 2015, the above appeared before me and signed this affidavit.




Notary Public